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AUTHOR Crosby, Bobby L.
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ABSTRACT

This paper discusses five scenarios that have had an impact on school finance in the state of South Carolina during recent years. These scenarios include (1) the Education Finance Act of 1977 (EFA); (2) the Education Improvement Act of 1984 (EIA); (3) the issue of fiscal independence; (4) school fees; and (5) school bonds. The EFA was designed to provide a means of implementing a financial support system that would result in more equitable educational opportunities in all South Carolina school districts. Eight major elements of the EFA are summarized. The EIA was responsible for numerous changes in South Carolina schools and a one-cent sales tax increase was enacted to pay for its implementation. Seven action initiatives embraced by the EIA plan are discussed. Fiscal independence is discussed in terms of educational benefits, the school district board's responsibility, limited fiscal independence, a "statutory cap" limitation, and school districts with no taxing authority. Appended are nine references and a listing of fiscal authority of school districts. (SI)

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SCHOOL FINANCING IN SOUTH CAROLINA, RECENT LEGISLATION AND FUNDING APPROACHES

by

Bobby L. Crosby, Ed.D

Director of Vocational Education and
Staff Development
Abbeville School District 60
Abbeville, South Carolina

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A. FISCAL AUTHORITY OF SCHOOL DISTRICTS - - 14

In order to place school finance in the proper prospective, it should be considered that school finance addresses not only the magnitude of school expenditures but the methods that schools use to, allocate, distribute, and manage their funds. This paper will address five (5) scenarios that have impacted school finance in the state of South Carolina during recent years. These scenarios include: the Education Finance Act of 1977, the Education Improvement Act of 1984 (EIA), the issue of fiscal independence, school fees, and school bonds.

According to Marion (1988), "the purpose of the Education Finance Act (EFA) can be summarized in three words, adequacy, equality, and accountability". This piece of legislation was designed to provide a means of implementing a financial support system that would result in more equitable educational opportunities in all South Carolina school districts. The major elements of this legislation included:

1. The number of dollars needed and the appropriate programs for the diverse pupil populations.
2. A system of weighting pupil financial support to compensate for differences in the costs of providing educational services for special needs populations.
3. An automatic inflationary clause to safeguard the program from deterioration.

4. A system of accountability to monitor how the funds were expended and what was accomplished with those expenditures. The legislation requires that 85 percent of the funds generated by pupils in a particular program be spent for direct and indirect services to that program. The remaining 15 percent can be utilized by the district to compensate for individual differences in that district's program.

5. The program is funded through a partnership concept of state and local resources required based on a district's ability to pay.

6. The legislation requires a yearly report to be prepared depicting each program offered, an evaluation of the program, the needs indentified and the objectives developed to meet those needs.

7. An incentive provision to compensate districts for hiring teachers with advanced degrees by reducing the burden of the additional costs incurred.

8. A minimum state wide salary for all teachers and administrators.

The South Carolina Education Finance Act of 1977 represented a significant thrust in the direction of equalizing education in South Carolina. Although the dream of equal education between districts has not been realized, this funding base has benefited poorer districts, tremendously improved student funding and the minimum salary schedule for teachers and administrators.

Nationally as well as in South Carolina the effort continues to equalize school funding according to Zakariya (1988) James Vasquez, a San Antonio California school superintendent, has brought a class action suit on behalf of poor and minority Texas school children, charging that the state school finance system denied these children equal

case San Antonio Independent School District vs. Rodriguez reached the Supreme Court where the parents lost on a narrow 5-4 vote in 1973. The new case Edgewood v. Kirby was filed in 1984 and by the 1987 trial 67 Texas school systems had joined Edgewood in the case. Their joint argument: Education is a fundamental right under the state constitution, and equity of access to funds is one requirement of that right. The judge agreed, but the case is continuing in appeals courts. The success or failure of the Edgewood school district class action suit has the potential for profound implications regarding state funding throughout the country if a precedent is established in favor of financial equalization.

The Education Improvement Act of 1984 has been described as "an educational reform plan that makes our people and their betterment top priority in South Carolina" (Riley, 1984). This plan sometimes referred to as the "New Approach" embraced seven action initiatives:

1. To raise student performance by increasing academic standards at all grades.

    a. Increase academic standards
    b. Strengthen student discipline and attendance
    c. Provide more effective use of classroom time
    d. Provide programs of excellence for talented students
    e. Provide more relevant vocational training programs
    f. Provide programs of excellence for handicapped students

2. To strengthen the teaching and testing of the basic skills.

   a. Requires passing an exit exam for graduation
   b. Enactment of a promotion policy
   c. Improve the basic skills in all grades

3. Elevate the teaching profession by strengthening teacher training, evaluation, and compensation.

   a. Increase the number of highly qualified persons going into teaching
   b. Raise teacher salaries in order to attract and hold qualified persons in teaching
   c. Improve the training of prospective teachers and persons currently in teaching
   d. Maximize the utilization of teaching time and talent

4. Improve leadership, management and fiscal efficiency at all levels.

   a. Recruit the most able candidates to become principals and administrators
   b. Improve the training and evaluation of prospective teachers and school districts on instructional improvement, and effective use of resources
   c. Monitor annually the implementation of the Education Improvement Act.

5. Guarantee results by implementing strict quality controls and rewarding productivity

6. Create more effective partnerships between the schools and parents, the community and business

   a. Strengthen the involvement of parents in their children's education.
   b. Increase the participation of business and industry in the public schools
   c. Broaden community involvement in the public schools.

7. Provide school buildings conducive to improvement of student learning

   a. Perform pressing repair, renovations and construction on school buildings (New Approach, 1984).

The Education Improvement Act was responsible for numerous changes in South Carolina schools and a one-cent sales tax increase was enacted to pay for its implementation. The Education Finance Act of 1977 and the Education Improvement Act of 1984 required most local school districts to increase local property tax funding levels to qualify for full state funding.

A recent court case, Richland County v. Carroll Campbell and others contended that the Education Finance Act and the Education Improvement Act were unconstitutional (Index Journal, 1988). The article from the Index Journal further stated, that the State Supreme Court dismissed the county's claim in an unanimous decision. The opinion written by Associate Justice Ernest Finney stated, "We concluded that the shared funding plan implemented by the General Assembly through the EIA and EFA is a rational and constitutional means by which to equalize the educational standards of the public school system." The results of this opinion clearly affirms the essence of the judicial climate as it relates to maintaining the credibility of these important pieces of legislation.

Fiscal independence for school districts provides the legal means for a school board to set the millage to meet the educational needs of their communities. This approach to taxation is constantly debated by those who oppose and support the concept, but statistics indicate that there are not significantly different per pupil spending averages

between the districts with total independence, statutory authority (limited authority to increase), statutory cap (maintenance authority), or no authority. According to South Carolina School Boards Association Journal (1987) only eight of the 13 fiscally independent school boards rank above the state average based on local effort.

In South Carolina the members who serve on the 13 school district boards with total fiscal independence (all elected) determine how much money is needed to operate the school district. They also have the responsibility of maintaining and providing funds for one of the county's largest enterprises and securing the necessary taxation for financing (South Carolina School Boards Association Journal, 1987).

There are 21 school districts in South Carolina that exercise limited fiscal independence. Limited fiscal independence permits a district to increase taxes a set number of mills or a percentage of their budgets within a given time period. To exceed this amount most of the districts with limited fiscal independence require approval in a community referendum. This approach allows the elected board to exercise some financial responsibility within certain clearly defined parameters.

A third category consist of five districts with taxing authority limited by a "statutory cap." Four of these districts have a maximum limit on the number of mills they can raise for their budgets. They may levy this amount

without getting approval from another governmental body. All five must have local legislation passed to increase millage, however Florence District I may levy the same number of mills as the previous year (South Carolina School Boards Association Journal, 1987).

The concept of using the "statutory cap is particularly beneficial to a school district enjoying annual growth in assessed valuation. This approach may also be constraining when the assessed valuation is stagnant or regressive.

Finally thirty-three school districts have no "taxing authority". Of these thirty-three, twenty-seven consist of elected boards. These school boards must present their budget needs annually to a county council, legislative delegation, or to the community in a town meeting. Collectively in South Carolina the responsibility for this funding authority rests with 23 county councils, six legislative delegations, and with the general public at four town meetings. An illustration comparing millage and fiscal authority is included in Appendix A (South Carolina School Boards Association Journal, 1987).

School districts with no taxing authority must employ increasing complex mechanisms to raise their budgets. These mechanisms must be sensitive to the existing political climate, employ creative marketing approaches, and be essentially politically feasible to the constituents from whom the approval must be secured.

Based on the findings regarding local funding approaches in South Carolina school districts, it may be concluded that:

(1) Local efforts may not be significantly affected by the funding authority of the local school boards.

(2) Equalization of education for the state's pupils will be an unlikely or impossible goal, given the myriad of approaches regarding local effort.

(3) Fiscal authority does not necessarily result in communities paying more to educate their children.

(4) The board and school administrations with "no taxing authority" must be able to market their budgets effectively and remain sensitive to the political climate in order to secure the desired financing for their children.

School fees have been the subject of numerous court actions as they relate to the validity of whether the state should include a given benefit within it's umbrella of free education. Recent trends suggest that the technicalities, limitations, inclusions, and exclusions regarding the state's responsibility to education will continue to be fertile ground for litigation.

According to Splitt (1988)

> The U.S. Supreme Court began the 1987-88 term by agreeing to hear the arguments in "Kadrmas v. Dickenson Public Schools", an appeal of a North Dakota Supreme Court decision that allows local officials to charge for the cost of bus rides to centrally located schools.

The fee of ninety seven dollars charged annually is being challenged under the Equal Protection Clause of the Fourteenth Amendment. Lawyers of the plantiff are claiming

the fee has the effect of denying poor and rural families equal access to education. The school system argues that a free public education does not include free transportation to and from school. Splitt (1988) concludes that school officials in this case may be on thin ice unless the fee has some other rational basis other than the need to cover busing costs for some students.

School bonds are a major source of financing for public school facilities in South Carolina. According to Johns, Morphet, and Alexander (1983),

> The vast majority of public school facilities are constructed through the sale of general obligation bonds by local school districts. School bonds, generally referred to as municipal bonds, are legal papers issued by the borrower as evidence of debt, which specify interest rate, payment periods, and security.

The constraints on school districts issuing bonds vary considerably from state to state and within the districts of a given state. South Carolina code of laws 59-71-30 state that, the authorities of any operating school unit may issue general obligation bonds of such operating school units for the purpose of defraying the cost of capital improvements to any amount not exceding the constitutional debt limitation applicable to such operating school unit, if:

(1) The election required by this article as a condition precedent to the issuance of bonds results favorably thereto;

(2) The bonds are issued within three years following the holding of the election; and

(3) The county board wherein such operating school unit is located if there is such, shall give its approval to the issuance of such bonds (South Carolina State Department of Education, 1976).

Although the issuance of school bonds raises many legal and ethical issues such as lack of uniform property assessment practices, voter attitude, and public relations for referendums it is still the primary option for financing school facilities in the United States.

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APPENDIX

APPENDIX A

FISCAL AUTHORITY OF SCHOOL DISTRICTS

FISCAL AUTHORITY OF SCHOOL DISTRICTS

TOTAL INDEPENDENCE (13 Dists.)

Berkeley
Cherokee
Chester
Darlington
Edgefield
Georgetown
Lexington 1
Lexington 2
Lexington 3
Lexington 4
Lexington 5
Marlboro
Union

TOTAL INDEPENDENCE BY COUNTY BOARD OF EDUCATION (9 Districts)

Bamberg 1*
Bamberg 2*
Spartanburg 1
Spartanburg 2
Spartanburg 3
Spartanburg 4
Spartanburg 5
Spartanburg 6
Spartanburg 7

STATUTORY AUTHORITY TO INCREASE (Limited Authority) (21 Dists.)

Barnwell 19	10 mills	CC
Barnwell 29	10 mills	CC
Barnwell 45	10 mills	CC
Chesterfield	10%	LD
Laurens 55	3 mills	Ref.
Laurens 56	in 2 yrs.	Ref.
Newberry	4 mills	LD
Orangeburg 1**	5 mills	Ref.
Orangeburg 2**	5 mills	Ref.
Orangeburg 3**	12 mills	Ref.
Orangeburg 4**	5 mills	Ref.
Orangeburg 5**	5 mills	Ref.
Orangeburg 6**	5 mills	Ref.
Orangeburg 7**	5 mills	Ref.
Orangeburg 8**	12 mills	Ref.
Pickens	Formula	Ref.
Williamsburg	3 mills	Law
York 1	4 mills	Ref.
York 3	4 mills	Ref.
York 3	4 mills	Ref.
York 4	4 mills	Ref.

STATUTORY AUTHORITY TO INCREASE BY COUNTY BOARD OF EDUCATION (9 Districts)

Anderson 1	5 mills	Ref.
Anderson 2	5 mills	Ref.
Anderson 3	5 mills	Ref
Anderson 4	5 mills	Ref.
Anderson 5	5 mills	Ref.
Marion 1*	Up to annual	Ref.
Marion 2*	EFA Inflation	Ref.
Marion 3*	factor	Ref.
Marion 4*		Ref.

STATUTORY CAP (Maintenance Authority) (5 Dists.)

Aiken	LD
Limit 78 mills	
Charleston	LD
Limit 90 mills	
Florence One	Ref.
Greenville	LD
Limit 72 mills	
Kershaw	CC
Limit 74 mills	

NO AUTHORITY (34 Dists.)

Abbeville	CC
Allendale	LD
Beaufort	CC
Calhoun	CC
Clarendon 1*	CC
Clarendon 2*	CC
Clarendon 3	CC
Colleton	CC
Dillon 1*	LD
Dillon 2*	LD
Dillon 3*	LD
Dorchester 2	CC
Dorchester 4	CC
Fairfield*	CC
Florence 2	TM
Florence 3	TM
Florence 4	TM
Florence 5	TM
Greenwood 50	CC
Greenwood 51	CC
Greenwood 52	CC
Hampton 1	CC
Hampton 2	CC
Horry	LD
Jasper	CC
Lancaster	CC
Lee	CC
McCormick	CC
Oconee	CC
Richland 1	CC
Richland 2	CC
Saluda	CC
Sumter 2	CC
Sumter 17	CC

KEY: Authority to increase the levy lies with this body:

Ref. = Referendum CC = County Council (Commissioners) TM = Town Mtg. LD = Legislative Delegation

* These boards are appointed.

** District board may raise this amount of millage beyond the EFA minimum by legislative proviso.

SOURCE: Chart based on information supplied to the SC School Boards Association by districts to reflect current practices.

November 1987